



Consumer Affairs and Business Regulation

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Decision of June 6, 2017

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DECISION

RELATIVE TO THE MERGER OF

SOUTHBRIDGE SAVINGS BANK, SOUTHBRIDGE, MASSACHUSETTS

WITH AND INTO

SPENCER SAVINGS BANK, SPENCER, MASSACHUSETTS

Spencer Savings Bank, Spencer, Massachusetts (Spencer Bank) has applied to the Division of Banks (Division) for permission to merge with Southbridge Savings Bank, Southbridge, Massachusetts (Southbridge Savings) pursuant to the provisions of Massachusetts General Laws chapter 167I, section 3. Under the terms of an Agreement and Plan of Merger dated as of March 23, 2017, Southbridge Savings will merge with and into Spencer Bank under the charter and by-laws of Spencer Bank (Continuing Institution), with the name of the Continuing Institution being changed to Cornerstone Bank in coordination with the merger. The main office of Spencer Bank will remain the main office of the Continuing Institution after consummation of the proposed merger, and the Continuing Institution will retain all of the banking offices of Southbridge Savings as branch offices. Spencer Bank and Southbridge Savings are indirect subsidiary banking institutions of SSB Community Bancorp, MHC, a Massachusetts mutual holding company. The corporate structure includes a mid-tier stock holding company, SSB Community Bancorp Inc., which owns all of the stock of both banks. In 2016, The Board of Bank Incorporation approved the merger of Southbridge Savings's MHC, Green Valley Bancorp, MHC, with and into Spencer Bank's mutual holding company, Spencer MHC, under the name SSB Community Bancorp, MHC as well as the bank's mid-tier stock holding companies, Green Valley Bancorp, Inc. with and into Spencer Mid-Tier Holding Company under the name SSB Community Bancorp, Inc.

Legal and Procedural Requirements

Notice of Spencer Bank's application was posted and published as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired, and no comments were received. The Division reviewed the application and supplementary materials submitted by Spencer Bank in accordance with applicable law, including the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage as well as "net new benefits" will be promoted by approval of the proposed transaction. The Division considered both banks' records of performance under the Community Reinvestment Act (CRA) as well as financial and managerial factors. The Depositors Insurance Fund confirmed by letter dated April 10, 2017 that satisfactory arrangements have been made relative to providing excess deposit insurance for deposits of the Continuing Institution.

The Parties

Spencer Bank is a Massachusetts-chartered savings bank. As mentioned above, Spencer Bank is a wholly-owned banking subsidiary of SSB Community Bancorp Inc., a Massachusetts corporation, which is a wholly-owned subsidiary of SSB Community Bancorp MHC, a Massachusetts mutual holding company. In addition to its main office in Spencer, Massachusetts, Spencer Bank operates five full-service branch offices in the cities of Leicester, Rutland, Spencer, Warren, and Worcester, which are all located in Worcester County, Massachusetts. As of March 31, 2017, Spencer Bank had total assets of approximately \$575.6 million and total deposits of approximately \$452.7 million. Spencer Bank offers a full range of personal and business checking, deposit, and loan products and services. Spencer Bank's deposits are insured up to allowable limits by the Federal Deposit Insurance Corporation (FDIC), and amounts in excess of FDIC insurance are insured by the Depositors Insurance Fund.

Southbridge Savings is also a Massachusetts-chartered savings bank and a wholly-owned banking subsidiary of SSB Community Bancorp Inc. In addition to its main office in Southbridge, Massachusetts, Southbridge Savings operates eight branch offices in the cities of Charlton, Holden, North Oxford, Southbridge, Spencer, Sturbridge, Webster, and Worcester, which are all located in Worcester County, Massachusetts. As of March 31, 2017, Southbridge Savings had total assets of approximately \$558.6 million and total deposits of approximately \$424.3 million. Southbridge Savings offers a range of personal and business checking, deposit, loan, and investment products and services. Spencer Bank's deposits are insured up to allowable limits by the Federal Deposit Insurance Corporation (FDIC), and amounts in excess of FDIC insurance are insured by the Depositors Insurance Fund.

Competition

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. In analyzing the impact of a proposed transaction on banking competition, the Division considers, but does not rely exclusively upon, the guidelines used by federal authorities to review bank mergers. Essentially, these guidelines define relevant markets and measure concentration, which is considered an important indicator of competitiveness. The Division also considers the competitive impact of the proposed transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. In that regard, the proposed transaction will not have a significant adverse effect on competition nor result in an undue concentration of banking resources in the communities served by the Continuing Institution because Spencer Bank and Southbridge Savings are affiliate banks under SSB Community Bancorp Inc. Furthermore, the Continuing Institution plans to maintain all of the banking offices of Southbridge Savings as branch offices. Accordingly, the review of the transaction's impact on competition supports its approval.

Public Convenience and Advantage

The Division next considered the record of the application to determine whether public convenience and advantage will be promoted. Spencer Bank indicates that the banking public will benefit as a result of the proposed merger. As discussed further below, the applicant believes that customers of both banks will benefit from the increased asset size of the Continuing Institution and the operational synergies that will result from the proposed merger.

In determining whether to approve a petition under the statutory criteria, the Division is required to consider a showing of "net new benefits" related to the transaction. That term as set out in section 3 of said chapter 167I includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors that the Division may deem necessary. Spencer Bank addressed this requirement of the statute. The Continuing Institution plans to make capital investments in new signage of approximately \$400,000. With regard to employment, Spencer Bank anticipates that all employees of both banks will be retained. Furthermore, Spencer Bank indicated that it expects the Continuing Institution to continue growing, which will create new jobs and opportunities for career advancement in the future. The materials submitted as part of the application indicate that the merger will result in operational synergies that will allow the Continuing Institution to serve its customers more efficiently, and the Continuing Institution's increased size will allow it to spread costs over a larger asset base and increase its lending limit for individual loans. Spencer Bank believes that the proposed merger will also enable the Continuing Institution to develop and improve products and services that will benefit the communities it serves. As stated above, the Continuing Institution will maintain all of the banking offices of Southbridge Savings as branch offices. Accordingly, the factors related to public convenience and advantage, including net new benefits, are consistent with approval of Spencer Bank's application.

Related to the issue of public convenience and advantage is the record of CRA performance by the banks that are parties to this transaction. Such review for Massachusetts-chartered banks includes examination by personnel of the Division. A publicly available descriptive rating and evaluation by a federal bank regulatory agency may also be considered. Spencer Bank received a "High Satisfactory" rating from the Division and a "Satisfactory" rating from the FDIC in its most recent CRA performance evaluation conducted jointly by the Division and the FDIC as of March 3, 2014. Southbridge Savings received "Satisfactory" ratings in its most recent CRA performance evaluations as of September 29, 2014 from the Division and the Federal Reserve Bank of Boston. The Division's consideration of the CRA performance of Spencer Bank and Southbridge Savings also supports the approval of the proposed merger.

Financial and Managerial Considerations

The Division also reviews and considers the financial and managerial aspects of the proposed transaction. No consideration will be paid and no financing is necessary in connection with the proposed transaction because it is a merger of two subsidiary banks of the same mid-tier bank holding company in a mutual holding company form of organization. Materials provided indicate that upon consummation of the transaction, the Continuing Institution will meet all regulatory capital requirements.

According to the application, the board of directors of the Continuing Institution will consist of six current members of Spencer Bank's board of directors and six current members of Southbridge Savings' board of directors. The Continuing Institution's initial senior management will consist of several individuals from each bank's current senior management. Accordingly, the financial and managerial considerations support approval of the application.

Conclusion

Upon review of the complete record of the application with reference to the relevant statutory and regulatory requirements, the Division concludes that all such requirements have been met, and that consummation of the proposed transaction is in the public interest. On the basis of these considerations, and subject to the conditions set forth below, approval is granted for Southbridge Savings to merge with and into Spencer Bank under the charter and by-laws of Spencer Bank and under the name "Cornerstone Bank" pursuant to section 3 of chapter 167I of the General Laws. Upon consummation of the merger, the charter of Southbridge Savings will cease to exist and the separate existence of Southbridge Savings shall cease and all rights, privileges, powers, franchises, properties, assets, liabilities, and obligations of Southbridge Savings shall be vested in and assumed by Spencer Bank. Approval is also granted for the Continuing Institution to maintain all of the banking offices of Southbridge Savings as branch offices.

The approval granted herein is subject to the following conditions:

1. That the proposed merger shall not become effective until a Certificate signed by the Presidents and Clerks, or other duly authorized officers of each bank, indicating that each institution has complied with the provisions of Massachusetts General Laws chapter 167I, section 3 has been returned with my endorsement thereon;
2. That the proposed merger shall not become effective unless the Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
3. That the proposed merger shall be consummated within one year of the date of this Decision.

June 6, 2017

Date

Terence A. McGinnis

Commissioner of Banks

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